

Report to Shareholders

For Year Ending December 31, 1948



THE BAKER-RAULANG COMPANY
CLEVELAND, OHIO

THE BAKER-RAULANG COMPANY

Cleveland, Ohio

Board of Directors

E. J. Bartlett	Laurence H. Norton
Irving C. Bolton	Robert C. Norton
George S. Case	E. J. Stahl
J. W. Moran	H. Dudley Swim

Fred R. White, Jr.

Officers

J. W. Moran	President and Treasurer
E. J. Stahl	Vice President
D. L. Darnell	Vice President
George B. Folk	Secretary
E. J. Scovil	Asst. Secretary, Asst. Treasurer

THE BAKER-RAULANG COMPANY

ANNUAL REPORT

Cleveland, Ohio, March 1, 1949

TO OUR SHAREHOLDERS:

A report covering the operations of the Company for the year which ended December 31, 1948, prepared by Ernst & Ernst, Certified Public Accountants and the Company's auditors, is presented herewith. Their letter certifying to such examination is a part of this report.

The year 1948 has, in many respects, been a year of transition. It witnessed the completion of the liquidation of the Body Division, the substantial completion of the new addition to the West 80th Street plant, the re-arrangement and repair of the old West 80th Street building to coordinate its use with the new addition, and the beginning of the moving of the Industrial Truck operations from the old West 25th Street location to the new plant.

With the beginning of 1949 the moving program is well underway,—installation of machinery and manufacturing equipment will soon begin, new offices are about ready, and it is hoped by late summer all the Company's operations will be at the West 80th Street location. It is believed that this transition can be effected with the minimum of interference to the Company's production schedule. With all manufacturing and assembly operations on one floor instead of scattered through seven buildings and on several floors as in the old West 25th Street plant the Company will be in the best competitive position it has been in years.

A transition this extensive has necessarily been reflected in the Company's operating statement. Liquidation of the Body Division involved completion and delivery of orders in the amount of \$583,000.00 which were on the books at the beginning of 1948, resulting in a net loss of \$62,000.00 for that Division for the year 1948. In 1947 the Body Division, then engaged in completing some very profitable postwar work, earned \$171,000.00. It will be readily apparent that the change had a very decided effect on 1948 total corporation results.

Sales in the Industrial Truck Division for 1948 were \$3,810,000.00, approximately \$210,000.00 less than 1947. The reduction is partially due to demand for lower priced equipment. Unit volume for 1948 compared favorably with 1947. Operations in the Truck Division in 1948 resulted in an operating profit before income taxes of \$426,000.00 as against \$615,000.00 for 1947. This difference is due largely to increase in material and labor costs, which could not be overtaken by increase in truck prices due to the competitive situation.

During 1948 the Company entered into a contract with The Cleveland Trust Company which resulted in a loan of \$600,000.00 on a five year term basis at an interest rate of 2¾% per annum. This loan, supplemented by our working capital, should prove sufficient to cover construction and remodeling costs of our West 80th Street Plant and leave a safe margin for 1949 operations.

During the first half of 1949 we shall experience some handicap in operations owing to the moving program. However, your Company has entered the year 1949 with a broader line of models than ever before and is thus in a position to interest a larger section of the total market. This prospect, with the economies to be affected after all Company operations are centered in the new West 80th Street location, should result in the best production position in years.

This letter would be incomplete if it did not make mention of the fact that, after more than thirty-seven years service with the Company—the last twenty-three as President—Mr. E. J. Bartlett on November 12, 1948, requested that he be relieved of his executive responsibility at the end of 1948. His decision to retire from active leadership of the Company was acquiesced in by the directors and became effective December 31, 1948, since which date his service to the Company has been in an advisory capacity on a part-time basis. On behalf of all the shareholders we express the wish that he may enjoy many additional years of happiness.

Respectfully submitted,

J. W. MORAN,
President

THE BAKER-BALDWIN COMPANY

ANNUAL REPORT

Presented to the Board of Directors

for the year ending December 31, 1911

The Board of Directors of the Baker-Baldwin Company, in presenting this report to the stockholders, desires to express its appreciation for the confidence and support which have been accorded it during the past year.

The year 1911 has been a year of unusual activity for the Company. The demand for our products has been unusually large, and the Company has been able to meet this demand by increasing its production and by securing new orders.

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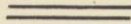
The Company has also been able to secure new orders for its products, and the demand for our products has been unusually large. The Company has been able to meet this demand by increasing its production and by securing new orders.

W. W. BAKER

President

THE BAKER-RAULANG COMPANY, CLEVELAND, OHIO

December 31, 1948



ERNST & ERNST
Cleveland

Board of Directors,
The Baker-Raulang Company,
Cleveland, Ohio.

We have examined the balance sheet of The Baker-Raulang Company as of December 31, 1948, and the related statements of profit and loss and surplus for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

At December 31, 1947, a major portion of the inventories was included in the financial statements on the basis of the aggregate amount of general ledger balances as no recent physical inventories had been taken at that date.

In our opinion, subject to the comments in the preceding paragraph, the accompanying balance sheet and statements of profit and loss and surplus present fairly the financial position of The Baker-Raulang Company at December 31, 1948, and the results of its operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

ERNST & ERNST

Certified Public Accountants

Cleveland, Ohio
February 3, 1949

THE BAKER-RAULANG COMPANY

BALANCE SHEET

December 31, 1948

ASSETS

CURRENT ASSETS

Cash		\$ 706,077.12
Trade accounts receivable	\$617,404.13	
Less allowance for doubtful accounts, etc....	4,500.00	612,904.13
Inventories—Note A:		
Finished products	\$ 30,128.91	
Service parts	461,621.41	
Orders in process and sub-assemblies....	988,562.11	
Raw materials	139,844.99	1,620,157.42
TOTAL CURRENT ASSETS		<u>\$2,939,138.67</u>

OTHER ASSETS

Claim for refund of renegotiation payments —estimated	\$ 14,162.70	
Cash on deposit for purchase of preferred shares—Note B	9,790.47	
Mutual insurance deposit (\$13,490.74) and other deposit	13,915.74	37,868.91

PROPERTY, PLANT, AND EQUIPMENT—at cost (including \$225,424.59 for fully-amor- tize war emergency facilities) less allow- ances for depreciation and amortization

Land	\$185,781.24	
Buildings, machinery, equipment, etc....	\$1,488,939.66	
Less allowances for depreciation and amortization	764,484.21	724,455.45
Construction in progress (estimated cost to complete \$200,000.00)	266,911.62	1,177,148.31

PATENTS AND GOOD WILL		1.00
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DEFERRED CHARGES

Small tools and factory supplies	\$ 27,670.30	
Prepaid insurance and taxes	5,071.03	32,741.33
		<u>\$4,186,898.22</u>

THE BAKER-RAULANG COMPANY

BALANCE SHEET

December 31, 1948

LIABILITIES, CAPITAL STOCK, AND SURPLUS

CURRENT LIABILITIES

Accounts payable	\$ 223,656.72	
Salaries, wages, and pay roll taxes	40,389.02	
Accrued real estate taxes and interest	17,691.52	
Dividend on preferred stock—payable January 25, 1949	7,843.75	
Federal taxes on income—estimated	162,000.00	
Installments on long-term debt due with- in one year	120,000.00	

TOTAL CURRENT LIABILITIES \$ 571,581.01

LONG-TERM DEBT—Note C

Note payable to bank, due in equal quar- terly installments of \$30,000.00 each, final installment becoming due October 31, 1953	\$ 600,000.00	
Less installments due within one year classified with current liabilities	120,000.00	480,000.00

RESERVES (surplus reserves)

For contingencies	\$ 185,127.51	
For future possible losses in inventories.....	112,000.00	297,127.51

CAPITAL STOCK AND SURPLUS

Capital stock:

Preferred stock, \$5.00 cumulative if earned, par value \$100.00 per share, redeemable at \$105.00 a share and accumulated unpaid dividends—Note D:		
Authorized 7,500 shares;		
issued 7,443 shares	\$ 744,300.00	
Less 1,168 shares retired.....	116,800.00	\$ 627,500.00

Common stock, par value \$1.00 per share:

Authorized 100,000 shares; issued and outstand- ing 78,243 shares	78,243.00	
	<u>\$ 705,743.00</u>	

Surplus:

Capital surplus	543,670.38	
Earned surplus—since July 1, 1936.....	1,588,776.32	2,838,189.70
	<u>\$4,186,898.22</u>	

Reference is made to notes to financial statements.

THE BAKER-RAULANG COMPANY

STATEMENT OF SURPLUS

Year ended December 31, 1948

CAPITAL SURPLUS

Balance at January 1, 1948, and December 31, 1948 (no change during the year)	\$ 543,670.38
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EARNED SURPLUS (since July 1, 1936)

Balance at January 1, 1948	\$1,401,588.97
Add balance transferred from profit and loss (after deducting \$35,000.00 appropriated as reserve for future possible losses in inventories)	245,966.85
	<u>\$1,647,555.82</u>

Deduct dividends declared:

On preferred stock—\$6.25 per share (includes \$1.25 payable January 25, 1949)—Note D	\$ 39,218.75	
On common stock—\$.25 per share	19,560.75	58,779.50

BALANCE AT DECEMBER 31, 1948	<u>\$1,588,776.32</u>
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Reference is made to notes to financial statements.

THE BAKER-RAULANG COMPANY

PROFIT AND LOSS STATEMENT

Year ended December 31, 1948

	Industrial Truck Division	Commercial Body Division	Combined
Net sales	\$3,810,028.10	\$ 582,921.44	\$4,392,949.54
Cost of goods sold	2,564,263.46	596,385.14	3,160,648.60
	<u>\$1,245,764.64</u>	<u>\$ 13,463.70*</u>	<u>\$1,232,300.94</u>
Expenses:			
Sales engineering	\$ 690,734.27	\$ 5,908.50	\$ 696,642.77
Administrative and general	128,989.36	42,593.82	171,583.18
	<u>TOTAL EXPENSES</u>	<u>\$ 48,502.32</u>	<u>\$ 868,225.95</u>
	<u>OPERATING PROFIT</u>	<u>\$ 61,966.02*E</u>	<u>\$ 364,074.99</u>
Other income:			
Profit on disposal of depreciable assets— Note E		\$ 36,721.12	
Commissions earned		29,356.03	
Fire loss recovery (principally use and occupancy)		12,104.30	
Interest earned		1,385.02	
Income from rented property		239.00	
Miscellaneous		45.82	79,851.29
			<u>\$ 443,926.28</u>
Other deduction:			
Interest expense			5,558.34
			<u>PROFIT BEFORE FEDERAL TAXES ON INCOME</u>
			<u>\$ 438,367.94</u>
Federal taxes on income:			
Provision for the year—estimated		\$ 162,000.00	
Overprovision for prior year		4,598.91*	157,401.09
			<u>NET PROFIT</u>
			<u>\$ 280,966.85</u>
Amount appropriated as reserve for future possible losses in inventories			35,000.00
			<u>BALANCE TRANSFERRED TO SURPLUS</u>
			<u>\$ 245,966.85</u>

Allowance for depreciation of property, plant, and equipment included above amounts to \$58,122.16.

Reference is made to notes to the financial statements.

*Indicates red figures.

THE BAKER-RAULANG COMPANY

NOTES TO FINANCIAL STATEMENTS

December 31, 1948

Note A—Inventories are included on the basis of counts, weights, or measurements made by employees of the Company as of October 31, 1948. Inventories of finished products, service parts, and raw materials were priced at the lower of cost (mainly first-in, first-out basis) or replacement market, and inventories of orders in process and sub-assemblies were priced at accumulated costs for material, labor and overhead, less estimated amounts for deliveries. Such inventories were adjusted for intervening transactions from November 1, 1948, to December 31, 1948. At December 31, 1947, a major portion of the inventories was included in the financial statements on the basis of the aggregate amount of general ledger balances as no recent physical inventories had been taken at that date.

Note B—Whenever a cash dividend is paid on common shares there shall be set aside in a sinking fund for the purchase for retirement of preferred shares an amount equal to at least one-half but not in excess of the aggregate amount of such dividend. During the year 1948, deposits in the sinking fund aggregated \$9,780.37.

Note C—Under the terms of the loaning agreement the Company is required, among other things, to maintain net current assets of not less than \$1,250,000.00.

Note D—Dividends on preferred stock, to the extent earned but not in excess of \$5.00 a share per year, shall be cumulative when not paid on or before October 1st of the year following that in which earned. During the year dividends declared on preferred stock aggregated \$6.25 a share of which \$5.00 a share was paid and \$1.25 a share is payable January 25, 1949. The preferred dividend declarations during 1948, fulfill the dividend requirements of the preferred stock to December 31, 1948.

Note E—During the year operations of the commercial body division were discontinued and substantially all of its assets were disposed of. The amounts shown for cost of goods sold and expenses of the commercial body division include certain expenses in connection with the liquidation, maintenance, etc. of the division which were incurred after operations had been terminated. The profit on disposal of depreciable assets represents the excess of the selling price of such assets of the body division over the carrying amount.

